

# U.S.-KOREA TRADE AGREEMENT

## Arkansas Farmers Will Benefit

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December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Arkansas agricultural products, including poultry, soybean products, and cotton. Arkansas's agricultural exports to all countries, estimated at \$2.6 billion in 2009, supported about 21,000 jobs, on and off the farm. These export sales make an important contribution to the Arkansas farm economy, which had total cash receipts of \$7.2 billion in 2009.

**Poultry and Egg Products.** With cash receipts of \$2.6 billion in 2009, broilers are Arkansas's leading agricultural industry, accounting for 37 percent of the total farm earnings. Egg production accounted for an additional \$362 million. Arkansas is the nation's second leading poultry exporter, with export sales estimated at \$481 million in 2009. Among the KORUS agreement's benefits to Arkansas's poultry and egg producers and processors:

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.
- As the number two market for U.S. egg products, Korea's tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

**Soybeans and Products.** Arkansas soybean farmer cash receipts totaled \$1.2 billion in 2009. Under the KORUS agreement:

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free tariff-rate quota (TRQ) starting at 10,000 metric tons for identity-preserved soybeans for food use. This TRQ will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, which is the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

**Cotton.** In 2009, Arkansas was the nation's third largest exporter of cotton totaling \$255 million. Arkansas cotton cash receipts totaled \$293 million in 2009.

- The KORUS agreement will lock in the duty-free access being enjoyed by U.S. cotton exporters. This permanent duty-free access allows U.S. cotton exports to continue to compete on a level playing field with Korea's other trading partners.

**Cattle and Beef.** Arkansas cash receipts for beef totaled \$437 million in 2009. The KORUS agreement will provide many benefits to the Arkansas beef industry.

- For beef muscle meats, the agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

<b>Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)</b>		
<b>Product</b>	<b>U.S. to World</b>	<b>Arkansas to World</b>
<b>Poultry and Egg Products</b>	\$4,850,000,000	\$481,000,000
<b>Soybeans and Products</b>	\$17,709,000,000	\$646,000,000
<b>Cotton</b>	\$3,628,000,000	\$255,000,000
<b>Cattle and Beef</b>	\$6,703,000,000	\$18,000,000
<b>Agricultural Total</b>	\$96,632,000,000	\$2,616,000,000

*Compiled by ERS using data from Census Bureau, Commerce and NASS.*

*Note:* All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or [LPA@fas.usda.gov](mailto:LPA@fas.usda.gov).